

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN LARRY JENT**, on April 8, 2005 at 8:00 A.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Larry Jent, Chairman (D)
Rep. Dee L. Brown, Vice Chairman (R)
Rep. Veronica Small-Eastman, Vice Chairman (D)
Rep. Joan Andersen (R)
Rep. Mary Caferro (D)
Rep. Sue Dickenson (D)
Rep. Emelie Eaton (D)
Rep. Robin Hamilton (D)
Rep. Gordon R. Hendrick (R)
Rep. Teresa K. Henry (D)
Rep. Hal Jacobson (D)
Rep. William J. Jones (R)
Rep. Gary MacLaren (R)
Rep. Bruce Malcolm (R)
Rep. Alan Olson (R)
Rep. Bernie Olson (R)

Members Excused: None.

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Branch
Marion Mood, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HJ 42, 4/6/2005
Executive Action: SJ 29; HJ 42

(VICE CHAIR SMALL-EASTMAN chaired the beginning of the hearing so that CHAIRMAN JENT could present HJ 42; VICE CHAIR BROWN joined the hearing at 8:20 A.M.)

HEARING ON HJ 42

Opening Statement by Sponsor:

REP. LARRY JENT (D), HD 64, opened the hearing on **HJ 42**, Study investment of pension funds. He stated this was a committee bill which had been suggested by **REP. WILLIAM JONES**. **CHAIRMAN JENT** advised, in a three-year period, the combined losses for all retirement systems were \$1.3 billion; in FY 2004, they enjoyed a dramatic rebound. He reviewed the resolution with the Committee. **{Tape: 1; Side: A; Approx. Time Counter: 0 - 8.4}**

Proponents' Testimony:

REP. WILLIAM JONES, HD 9, BIGFORK, advised, since the actuarial soundness of the State's retirement systems was mandated by the State Constitution, funding it took precedence over any other program and suggested not only past performances needed to be evaluated but future risks should be considered as well. He stated the reason for the study resolution was to make sure the funds were invested wisely to ward off the huge losses of 2001 and 2002.

Mike O'Connor, Montana Public Employees Retirement

Administration, referred to Table 5 of the "Green Sheets" which talked about the actuarial funding, adding that some systems were not actuarially sound. He advised his Board welcomed this study for it would take a look at the interaction between investments and benefits. **Mr. O'Connor** stated that prior to the consolidation of interim committees, there had been an Interim Committee on Public Employee Retirement Systems which was to study and discuss the merit and validity of various issues and ideas; this had not happened and was, in his opinion, the reason for the 79 retirement bill draft requests. He felt it was unfair that this Committee had to deal with all of them. **Mr. O'Connor** stressed that the decisions made by the Legislature would affect the next sixty years, adding that retirement benefits were a contract right and could not be changed.

{Tape: 1; Side: A; Approx. Time Counter: 9 - 14.4}

David Ewer, Budget Director, Governor's Office, stated the Administration supported the overall concept of the resolution. He contended the current Administration had inherited this significant retirement problem from the Martz and Racicot administrations.

VICE CHAIR DEE BROWN, HD 3, HUNGRY HORSE objected to this statement.

Mr. Ewer voiced the Governor's support of HB 148 and HB 181, which had come out of the Martz Administration, and addressed the possibility that one of them would raise property taxes. He agreed with Mr. O'Connor in that there had been a process once which required that benefit increases had to be carefully considered to have any chance. **Mr. Ewer** contended the Guaranteed Annual Benefit Adjustment (GABA) bill of 2001 was passed without any increase in employer or employee contributions; this simply allowed an extension of the unfunded liability. He stated by doing this, the Legislature exacerbated an already existing problem. In closing, he stated the Administration shared the Committee's concerns pertaining to the Board of Investment. **Mr. Ewer** contended the resolution was light on the Legislature's responsibilities with regard to dealing with these bills.

{Tape: 1; Side: A; Approx. Time Counter: 14.4 - 22.8}

David Senn, Executive Director, Teachers' Retirement System (TRS), rose in support of HJ 42 for the reasons stated in previous testimony.

Opponents' Testimony: None

Questions from Committee Members and Responses:

VICE CHAIR BROWN asked Mr. O'Connor what shape the retirement systems were in when the GABA bill was passed in 2001. **Mr. O'Connor** advised they were more than one hundred percent funded. **VICE CHAIR BROWN** recalled that he had supported that bill in 2001, which **Mr. O'Connor** confirmed.

REP. JONES commented that he and other Committee members, as well as the Governor, had come into this with little knowledge about retirement systems or any other "hot" issue. He had made promises to his constituents, as the Governor had, which he intended to keep but the promises were made without being fully aware of the implications. He stressed he wanted the Legislature to start "driving the bus, instead of merely putting gas in it." His frustration with this statement was the reason for the resolution. He addressed Mr. Ewer and apologized if the language did not convey this more clearly. **Mr. Ewer** stated he had alerted both the Administration and the Leadership in the Legislature that they would not be able to support bills which put additional pressure on the retirement systems.

{Tape: 1; Side: B}

REP. JONES expressed his appreciation and pride to the Committee for being bipartisan and working together.

Mr. Ewer commented bipartisanship had been the Administration's goal and every effort had been made to keep it at that level. Unfortunately, this changed the day before as some legislators tried to make HB 148 and HB 181 partisan with regard to the increase in property taxes.

REP. EMELIE EATON, HD 58, LAUREL, surmised that in discussing these retirement bills, the Committee had not so much looked at what happened in the past but what was expected to happen in the future. She asked **Mr. O'Connor** if this was the way the Board looked at it also, which **Mr. O'Connor** confirmed. **REP. EATON** inquired whether the thirty-year amortization was in statute. **Mr. O'Connor** advised that it was.

REP. BERNIE OLSON, HD 10, LAKESIDE, asked **Mr. O'Connor** whether the \$1.3 billion loss was a "paper loss" in terms of the changing stock market. **Mr. O'Connor** was not sure how the Sponsor had arrived at this amount. The financials showed a funding balance decrease of \$153 million in 2001, and \$212 in 2002.

REP. B. OLSON asked the same question of **Jim Gillette**, Legislative Audit Division, who was in the audience. **Mr. Gillette** advised the numbers **Mr. O'Connor** had mentioned were just for one of the retirement systems; the total for all of the systems might well be the \$1.3 million. He added those numbers were the net effect between market value losses, employer and employee contributions and benefits. He attributed the decrease primarily to the market value loss.

REP. B. OLSON wondered whether this constituted a 20% drop, which **Mr. Gillette** did not know. **REP. B. OLSON** asked whether it would be more accurate to refer to the fluctuations as "paper losses" and "paper gains" until the stocks and securities were actually sold. **Mr. Gillette** stated the short answer would be "yes." He explained with long-term investments, one relied on paper gains as part of the income but they should not be discounted.

REP. B. OLSON asked whether pay-outs for retirement benefits came primarily from dividends and capital gains or from contributions. **Mr. Gillette** recalled there was enough cash coming in from contributions to make the benefit payments. He anticipated, though, that assets may have to be to be liquidated in the not too distance future in order to meet retirement obligations because of the increasing number of retirees.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 14.2}

REP. B. OLSON asked for a brief explanation of why some of the systems had been in trouble not too long ago but were no longer in trouble. **Mr. Gillette** stated he had not been aware of this. **CHAIRMAN JENT** stated by passing the two bills mentioned earlier, they had bailed out TRS and the Public Employees Retirement System (PERS); he asked Sheri Heffelfinger, Legislative Services Division, to explain whether there were others. **Ms. Heffelfinger** explained that HB 148 covered sheriffs, game wardens and PERS.

REP. MARY CAFERRO, HD 80, HELENA, asked the Sponsor to explain how study resolutions were funded. **CHAIRMAN JENT** advised the money came out of the Legislature's budget. **REP. CAFERRO** ascertained there was no need to worry about passing too many resolutions and risk not having them funded as there was a process to prioritize which ones would be assigned.

Closing by Sponsor:

CHAIRMAN JENT closed, adding the theme of this resolution was legislative oversight.

{Tape: 1; Side: B; Approx. Time Counter: 14.2 - 20.2}

VICE CHAIR SMALL-EASTMAN apologized for not being assertive enough to stop the comments concerning the last two Administrations.

{Tape: 1; Side: B; Approx. Time Counter: 20.2 - 25.3}

**PRESENTATION BY THE DEPARTMENT OF NATURAL RESOURCES AND
CONSERVATION (DNRC)**

Jeanne Holmgren, Real Estate Management Bureau Chief, DNRC, brought a request by the City of Missoula to build a fourteen-foot-wide pedestrian bridge across the Clark Fork River, which would be attached to the Madison Street Bridge. The purpose for the footbridge was to connect a pedestrian trail system. **Ms. Holmgren** provided a summary and map prepared by Jan Ward, DNRC. **EXHIBIT**(sth75a01)

{Tape: 2; Side: A}

Questions from Committee Members and Responses:

VICE CHAIR BROWN commented this was a good idea but requested that potential changes in usage be heard by a future legislative committee. **Ms. Holmgren** advised this was in the deed as the usage purpose was specific.

REP. B. OLSON asked why a separate easement had to be granted. **Ms. Holmgren** stated statute required recognition and authorization of separate usages; this was referred to as "stacking" easements. **REP. B. OLSON** did not see this as being a new usage as pedestrians could currently walk across the Madison Street Bridge. **Ms. Holmgren** agreed, adding it was not safe because of the motorized traffic.

(**REP. CAFERRO** left at 9:05 A.M.)

REP. JOAN ANDERSEN, HD 59, FROMBERG, wondered whether this was an easement or a property transfer. **Ms. Holmgren** advised it was an easement.

REP. BRUCE MALCOLM, HD 61, EMIGRANT, asked who would own the bridge and what would happen if the existing bridge needed to be rebuilt to accommodate the new bridge. **Ms. Holmgren** advised, before anything would happen, the City of Missoula would conduct engineering studies to determine whether the bridge was strong enough to support the new structure. She agreed it was a good idea to specify in the deed that the City of Missoula would be responsible for reconstructing the footbridge should the Madison Street Bridge ever be replaced.

EXECUTIVE ACTION ON THE DNRC REQUEST

Motion: **CHAIRMAN LARRY JENT, HD 64, BOZEMAN,** moved **THE COMMITTEE RECOMMEND THAT THE STATE TRANSFER AN EASEMENT OVER THE CLARK FORK RIVER FOR THE PURPOSE OF A FOOTBRIDGE, SUPPORTED BY THE EXISTING MADISON STREET BRIDGE.**

Discussion:

CHAIRMAN JENT asked whether the Committee wanted to include any recommendations or conditions in the letter to the DNRC.

REP. B. OLSON suggested **REP. MALCOLM's** concern should be included.

Ms. Holmgren advised the footbridge would merely be attached to the existing bridge, no new construction would involve the Madison Street Bridge itself.

CHAIRMAN JENT agreed to include that all replacement obligations rest solely with the City of Missoula.

REP. MALCOLM asked who would maintain the footbridge. **Ms. Holmgren** stated the City of Missoula was responsible for the maintenance.

CHAIRMAN JENT advised this did not have to be specified as it was implied. **REP. MALCOLM** disagreed, saying it should be included in case the City divested itself of its responsibilities or wanted to remove the footbridge. **CHAIRMAN JENT** agreed to add this into the letter.

REP. ANDERSEN asked whether the City would be responsible for removing the footbridge if it wanted to abandon it.

Ms. Holmgren advised that once easements were abandoned, the owner would have to do a reclamation.

Vote: Motion to issue the letter including the conditions and concerns of the committee carried unanimously by voice vote.

REP. DAN VILLA agreed to be the House Sponsor.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 23; Comments: REP. CAFERRO returned.}

EXECUTIVE ACTION ON SJ 29

Motion/Vote: **REP. A. OLSON** moved that SJ 29 BE CONCURRED IN. Motion carried unanimously.

EXECUTIVE ACTION ON HJ 42

Motion: **REP. BROWN** moved that HJ 42 DO PASS.

Discussion:

REP. ALAN OLSON, HD 45, ROUNDUP, stated he wholeheartedly supported this resolution but would be disappointed if it turned into the political posturing demonstrated during the hearing.

CHAIRMAN JENT advised he would have a talk with Mr. Ewer, adding he should have used his gavel when Mr. Ewer threw documents on the floor.

CHAIRMAN JENT emphasized the importance of the study resolution.

REP. EMELIE EATON, HD 58, LAUREL, commended **REP. JONES** for speaking out on this issue and for suggesting the resolution to find answers.

{Tape: 2; Side: B}

VICE CHAIR BROWN stated that even though she objected to some of Mr. Ewer's statements, some of his comments were well taken; she stressed the importance of the work to be done by the interim committee.

REP. JONES advised he had talked with Mr. Ewer after his outburst, adding it was hard to comprehend the pressures he was under.

REP. A. OLSON agreed but maintained this was not the way to conduct oneself.

REP. SMALL-EASTMAN requested that Ms. Heffelfinger provide an outline as to what to study and how to access information pertaining to the retirement systems.

Vote: Motion that HJ 42 DO PASS carried unanimously by voice vote.

ADJOURNMENT

Adjournment: 9:35 A.M.

REP. LARRY JENT, Chairman

MARION MOOD, Secretary

LJ/mm

Additional Exhibits:

EXHIBIT ([sth75aad0.TIF](#))